

MEMORANDUM FOR: Procurement Policy Panel

25X1 FROM: [REDACTED]

Chief, Procurement Management Staff, OL

SUBJECT: Organizing for the 80's

25X1 1. Each of you has received an invitation to a Procurement Policy Panel meeting on 18 - 20 June at [REDACTED]. On the last day of the conference from 1100 - 1130 hours we have scheduled a discussion on the subject. Our scheduled discussion has taken on new import since the Director of Logistics has scheduled a Strategic Planning Conference at [REDACTED] on 23 - 25 July which will consider long-range objectives, including various possible organizational alternatives for the Office of Logistics. The results of our discussions at [REDACTED] will be input to the Director of Logistics for consideration during his Strategic Planning session. 25X1

2. To assist you in your consideration, I have included with this memorandum as Attachment 1 background information on the evolution that has resulted in our current organization. I have also included as Attachment 2 wiring diagrams and/or discussion on several organizational alternatives that may be worthy of consideration. Any thoughts you may have on wiring diagrams that you would like to have considered may be forwarded to me or, alternatively, you will have an opportunity to make such presentations during our seminar.

25X1 3. As you think about the various options, there are certain specific concerns which you should consider: Given that the physical location of operating procurement components would not change, is there benefit in having all procurement slots under a procurement official whether that official is the ODA, the D/L or someone else? Should the dual delegation of procurement authority continue? This issue was considered by EXCOM in 1977 with an affirmative response, but may warrant another look. Would General Purchases and [REDACTED] be better placed in Supply Division? Should the Inter-departmental Support Branch be moved back to Procurement Division? In your consideration of these questions, every effort should be made to think in terms of what will increase our responsiveness to mission requirements. We should also base our thoughts and discussion on the premise that our resources will remain constant or shrink over the next two or three years. 25X1

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SUBJECT: Organizing for the 80's

4. Finally, to conclude these introductory thoughts, one option not presented is that of maintaining status quo. If our system is working well and is fully responsive to mission requirements, then we should so indicate or, in the words of one of our former leaders, "we should not ruin good in an effort to make perfect."



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Evolutionary Changes
Resulting in 1979
Procurement Organization

I am not sure that there is great value in going back into history to determine where we came from as an organization because, as Mr. Blake used to say, "we are where we are and our concern is for our future." I have extracted an excerpt from a paper on our roots which is included as a matter of interest.

The CIA was established in 1947 and received its procurement authority under the CIA Act of 1949. Until the beginning of the Korean Conflict in the early 50s there was not an Office of Logistics nor a Procurement Division. Prior to that time each operating division apparently had its own support units. However, there were two elements, (1) called "General Services" headed by [] which probably handled real estate and construction, as well as printing services, and (2) there was apparently a unit called "Procurement and Supply" headed by Jim Garrison. At the beginning of the Korean Conflict these elements were merged under Jim Garrison and the Office of Logistics was born with the Procurement Division being headed by []. Up until this time, procurement was primarily a nut and bolt type matter concerned mostly with replenishment of depot items, but with the Cuban issue and the Korean Conflict, procurements grew and in the mid-50s [] and then [] were transferred to [] group to procure the U-2. It wasn't until about 1955 that Procurement Division began to shape itself into a centralized procurement unit and start external contracting for research and development with the primary customers being TSS, OC, and OSI.

Moving on from 1955, we find that the Procurement Division grew in importance to the Agency as requirements internally were increasing and procurement laws and regulations were becoming more complex. Except for the national area, all procurement authority (excluding personal services and use of imprest funds) was centralized in the Procurement Division. In 1965 a significant change occurred when the Interdepartmental Support Branch was moved from the Procurement Division to the Supply Division, still within OL. In 1966 the consultant firm of [] was asked to perform a study of procurement in CIA, particularly in the area of R&D. Exhibit A to this Attachment 1 is an organizational chart which depicts the organization of the Procurement Division.

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at the outset of the so-called [] made a number of recommendations which were to be implemented and which were to sharply alter CIA's procurement organization and procedures. These changes included the Agency Contract Review Board in 1967, CONIF in 1968, and the Procurement Management Staff in 1970. Decentralization of R&D procurement began in about 1967 and over a period of several years resulted in procurement components and authority being placed with OTS, OSO, ORD, DDI, DEG, and NFAC. One additional historical note would be that the [] was moved from the cognizance of the Procurement Division to that of the Procurement Management Staff in 1970.

It should be noted that, while most of the [] recommendations were adopted, there were certain important exceptions or variations. [] recommended that a Special Assistant to the DDS (now the DDA) be assigned responsibility for management surveillance of all Agency procurement and that this assistant chair a contract review board to be established. This special assistant was also to determine specifications for a Procurement Information System (now CONIF). The Agency adopted all of these recommendations except that the special assistant (PMS/OL) was established under the D/L rather than the DDA, and the chairmanship of the ACRB was assigned to the Deputy Director of Logistics. It is interesting to note also that [] recommended that inter-departmental procurement be retained in Procurement Division.

Still looking back at history, we note that the national program contracting authority and procurement organization were established in 1956 and have continued since that time resulting in the present-day OD&E. Important differences between OD&E and other procurement operations in CIA are that the OD&E contracting officer receives his delegation of procurement authority directly from the DCI, and the audit services of DCAA are utilized rather than those of the Commercial Systems and Audit Division (CS&AD) in our Office of Finance.

In 1977, at the direction of the Acting DCI (Mr. John Blake), a task force was formed to review the entire industrial security and industrial contracting process within CIA. While too many recommendations resulted from this study to consider here, there were several which are germane and should be brought to your attention. Recommendations approved by the DCI and implemented include: (1) formation of a separate contract review board to overview national program contracting, (2) recognition that the Director of Logistics is responsible for establishing procurement policy for procurement of all supplies and services in CIA and that any exception required

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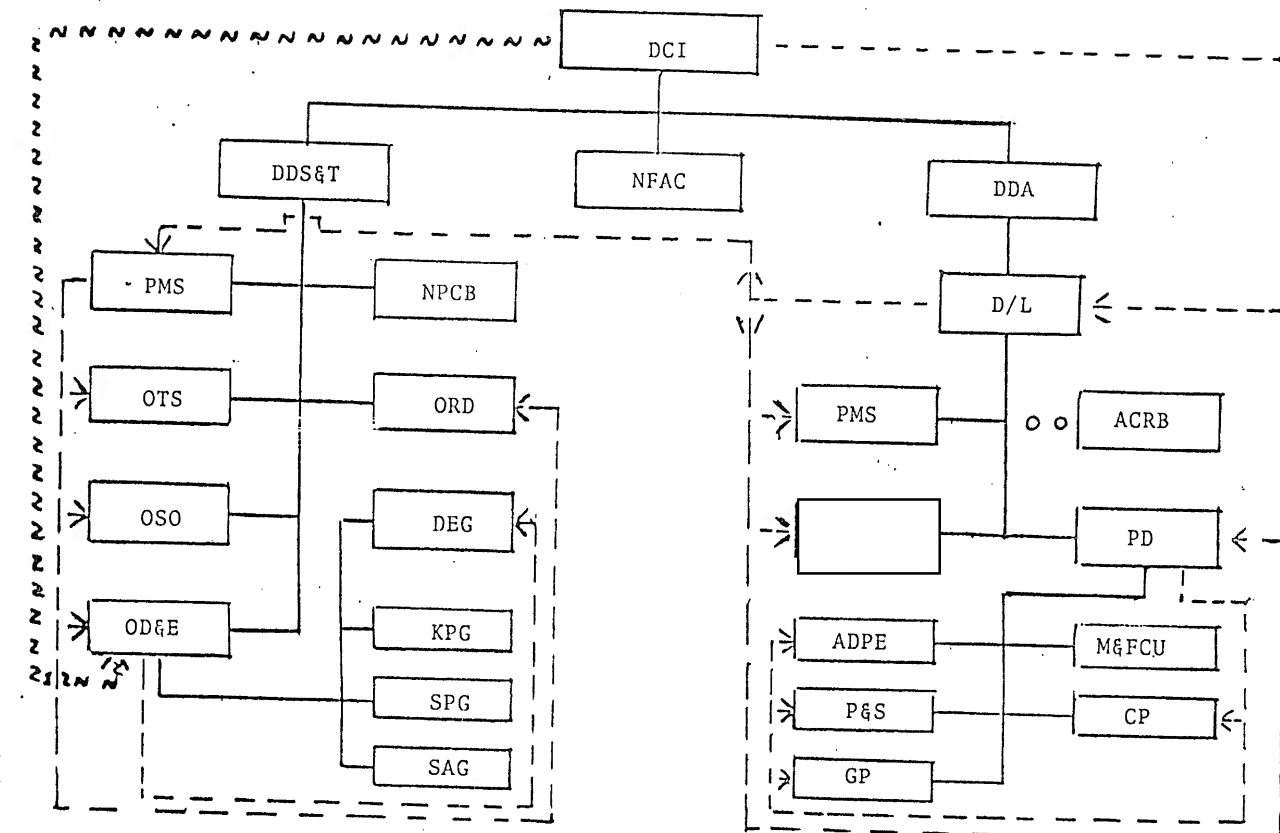
by national programs must be approved by the DDCI, and (3) a requirement that all procurement officers assigned to decentralized teams have their fitness report either written or reviewed by a procurement official. Perhaps as important for the purposes of this paper were recommendations or considerations of the task force which were not approved or implemented. These include: (1) discussion within the group about the possibility of establishing a separate Office of Procurement within the DDA, (2) a recommendation that a Deputy Director of Logistics for Procurement be established and that the two separate delegations of procurement authority, i.e., to the Director of Logistics and to the Chief Contracting Officers for OD&E, be rescinded and replaced by one single delegation of procurement authority to the Director of Logistics.

To conclude this discussion on where we've been, I have included as Exhibit B an organizational chart which sets forth our current procurement organization and also indicates the flow of procurement authority.

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CIA PROCUREMENT ORGANIZATION
and
Delegation of Procurement Authority



--- Command
--- Agency Procurement Authority
... Special Procurement Authority
~~~ Advisory



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## Organizational Alternatives

Having examined evolutionary changes which have resulted in our current organization, we will now look at some organizational alternatives. The alternatives presented have come from several sources and are presented only as a basis for discussion. I have indicated with each option what I perceive as pros and cons. The various options are not presented in any particular order. In some cases we have included wiring diagrams; in others the change is easily described and no wiring diagram has been considered necessary.

### Option 1:

25X1 This proposed reorganization of Logistics represents a fairly significant organizational shift and is proposed on the basis that it reorganizes OL into two major functional areas -- materiel operations and support services. While no other supportive data was included with this submittal, it is noted that General Purchases and [ ] are relocated to the span of control of a Deputy Director for Materiel, while the rest of logistics procurement, i.e., PMS, ADPE, P&SCB, the contract teams, and [ ] are located in an organization identified as DD/Services. PMS is moved down to branch level reporting two levels below the Director of Logistics rather than directly to the Director as presently. This option is described in a wiring diagram attached. 25X1

### Pros:

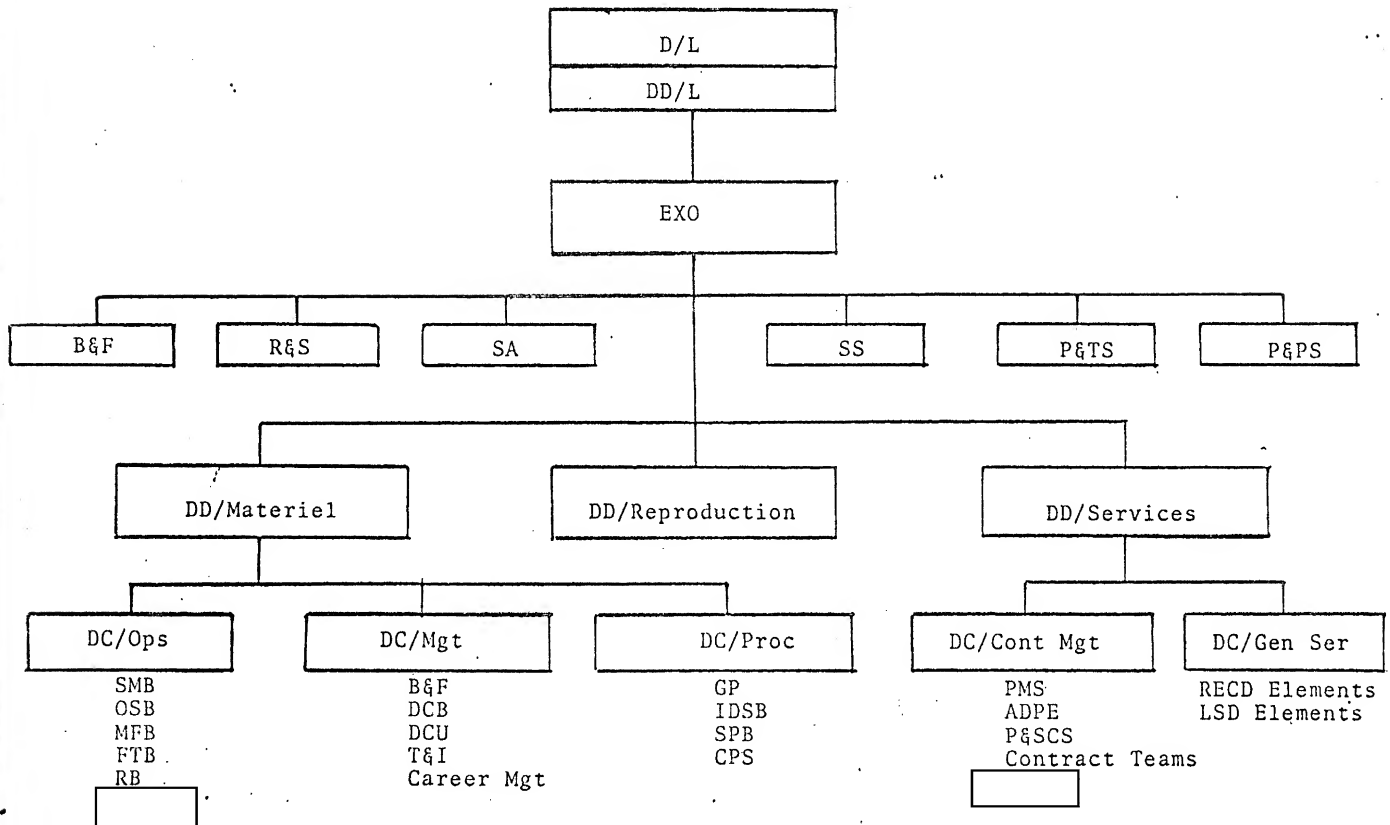
- ° Moves all materiel operations into one area.
- ° Reduces the span of control for D/L from five divisions to three deputies

### Cons:

- ° Reduces the procurement function in CIA in stature, i.e., to branch level.
- ° Makes no provision for CONIF.
- ° Makes no provision for ACRB.
- ° Would be disruptive until new organization settles in.
- ° Would remove senior procurement official from guidance and control over fairly significant procurement area.

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Office of Logistics



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Option 2:

Under this option the Procurement Management Staff, along with ACRB and CONIF, would be moved from Logistics to the DDA. Chief, Procurement Management Staff, would operate as the principle policy officer for CIA on procurement matters and would overview all Agency procurement activities. Chief, PMS, would also chair the ACRB and sit as a member of the National Program Contract Review Board (NPCRB).

Pros:

- °Would elevate status of procurement in CIA.
- °Would facilitate operating across interdirectorato lines.
- °Would elevate senior policy officer in DDA to equivalent organizational level with position in DDS&T.
- °Would relieve D/L of necessity to sit as a member of NPCRB.
- °Would recognize importance of procurement function.
- °Would increase DDA visibility into procurement in CIA.

Cons:

- °Would reduce turf and status of D/L
- °Would be disruptive for some interim period until new organization bugs were eliminated.
- °Would increase span of control for DDA.

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~~SECRET~~Option 3:

Under this option, a Deputy Director of Logistics for Procurement is established. The Deputy Director would have a Policy and Support Division which would include Policy, CONIF, Support, ACRB, and the decentralized teams, and a Contract Division that would include ADPQEB, P&SCB, GPB, CPS, and the NFCU. He would chair the ACRB and sit as a member of the NPCRB. The contributor of this proposal has also suggested certain changes in the OL structure which are shown on an attached organizational chart. The wiring diagram indicates spaces for branch designations below the deputies for Materiel and Services and Real Estate, but does not attempt to identify branches either as to number or function. The number of blocks included is simply to balance the chart.

Pros:

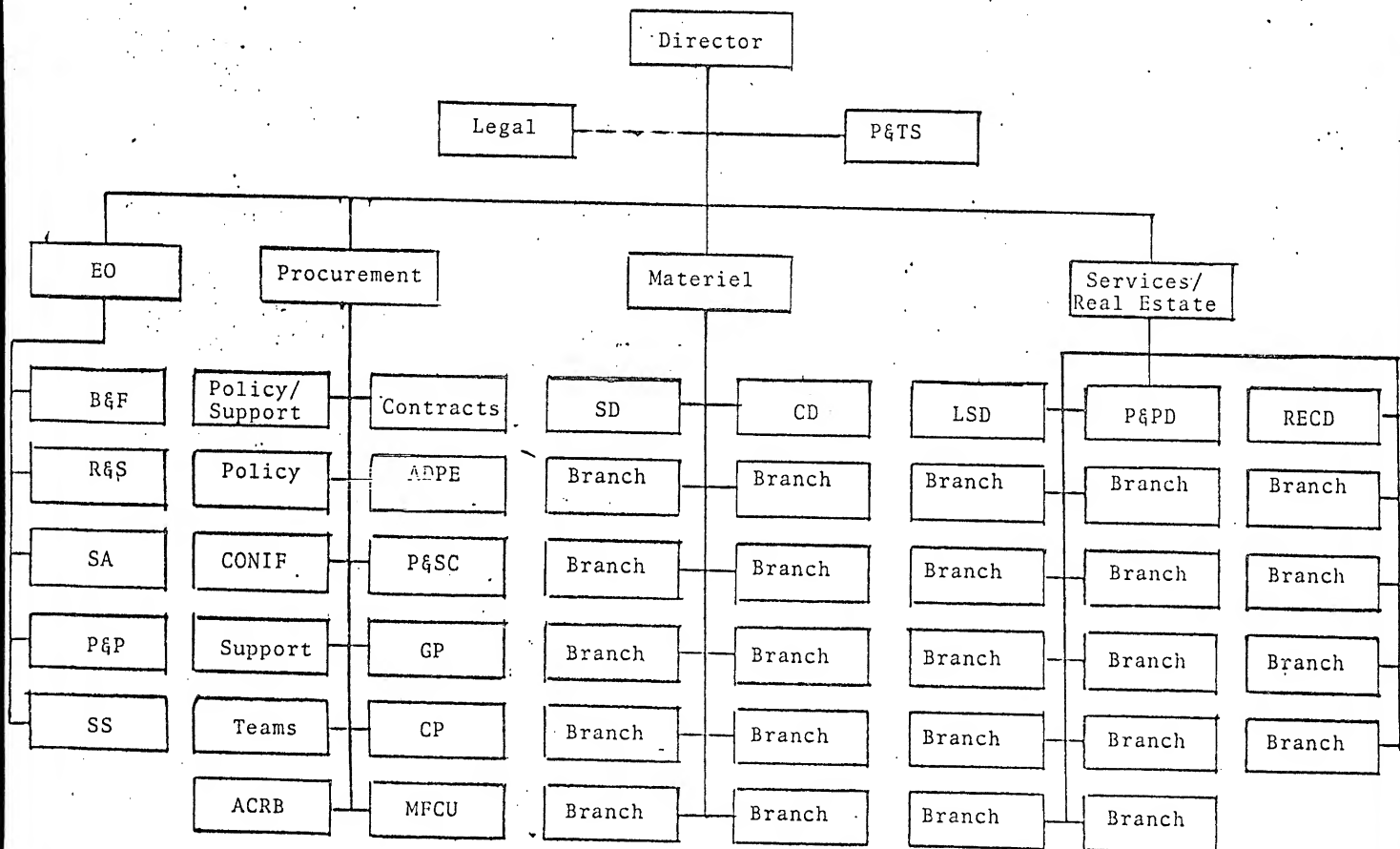
- °The function of procurement is elevated within the Agency.
- °The front office of Logistics would always include a procurement professional.
- °The ACRB would be chaired by a procurement professional.
- °The representative to the NPCRB would be a procurement professional. As the situation now exists, there is no assurance that future D/Ls will have any background in procurement.

Cons:

- °The Deputy for Procurement would still experience difficulty in operating across interdirectorate lines because of the low level of procurement organizationally.
- °Procurement in the DDA would still be two levels below procurement in DDS&T which operates at the Directorate level.
- °The senior procurement officer in CIA would still be far down in the organizational hierarchy when the importance of the function is considered.

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OFFICE OF LOGISTICS



DATE: \_\_\_\_\_

APPROVED: \_\_\_\_\_

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Option 4:

Under this option an Office of Procurement would be established with all of the resources necessary to carry out the Agency's procurement mission placed in the newly created office. The CONIF function would be aligned under the Plans and Policy Staff as would responsibility for Black Colleges, small business, and other socioeconomic programs. Personnel physically located in detached locations with line operations would remain in place, but all slots would be assigned to Office of Procurement. ACRB and legal staff would have a dotted line relationship in that they would be a part of other offices, but would support the D/L as required. Personnel Management, registry, and B&F would report to a Chief of Support. A temporary staff (three persons) to effect transition for a 1-year period while the new office is shaking down is not shown on the attached chart. Five operating divisions would be established. In size, the office would number approximately  persons. Personnel ceilings for OF, OL, OS, and DDS&T would be adjusted downward to reflect movement of personnel working in industrial contracting to the new Office of Procurement. Some additional slots would be required to handle support functions, but requirements for such additional manning would be minimal.

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Pros:

- °Would elevate procurement in hierarchy to recognize importance of function.
- °Would be consistent with recommendations of President's Commission on Federal Government Procurement.
- °Would establish career service for procurement professionals.
- °Would eliminate conflict of interest existent in current decentralized teams where PARs for procurement officers are written or reviewed by line officials.
- °Would maintain procurement units in present physical locations so as not to disrupt procurement flow.
- °Would facilitate operating across Directorate lines on policy issues.
- °Would give DDA greater insight into Agency procurement issues.
- °Would be consistent with NSA where Contracting (L4) reports to an assistant director.

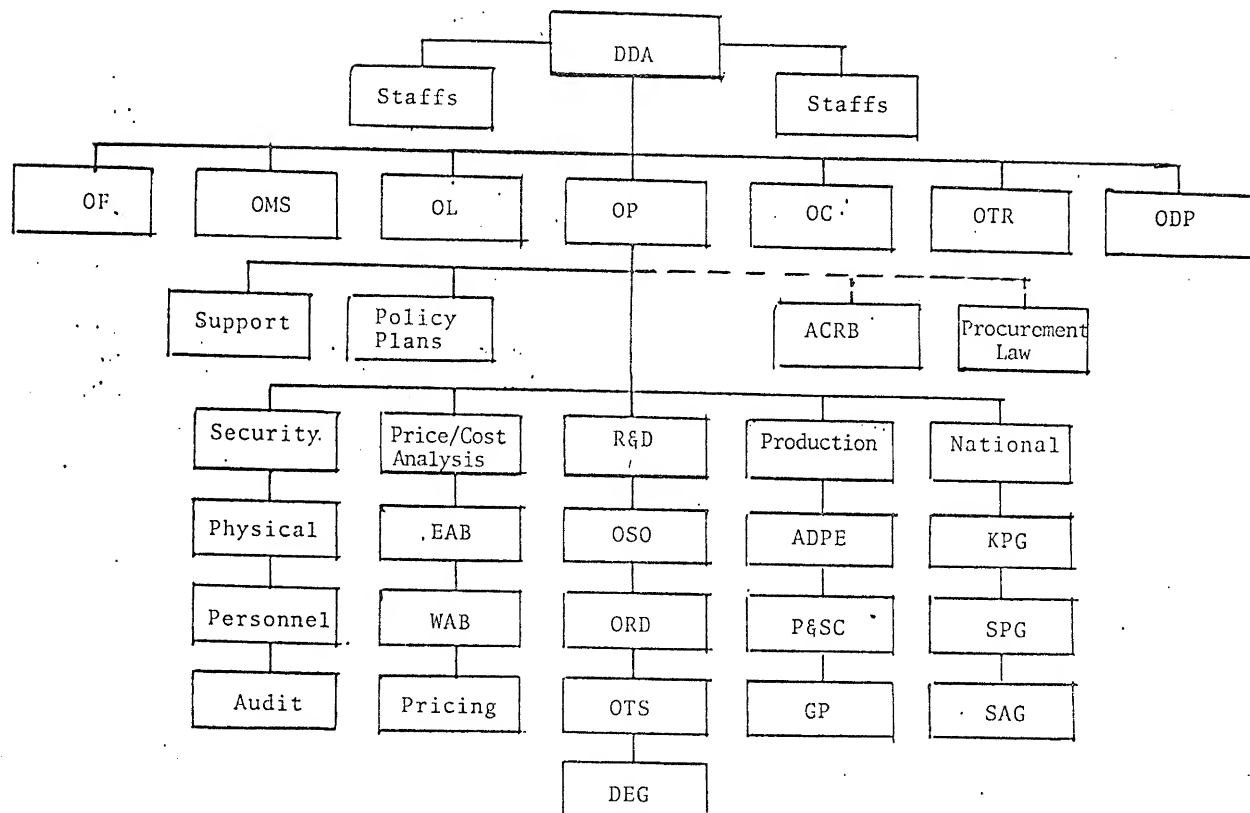
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Cons:

- °Would be loss of turf and perhaps status for Director of Logistics.
- °Would require addition of support personnel to handle B&F, personnel, and registry function.
- °Less responsive support than provided on decentralized basis.
- °Loss of control by program managers.
- °Creation of new empire.
- °No checks and balances.

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Directorate of Administration



Option 5:

Under this option, PMS and the operation of the decentralized teams would remain unchanged except that the  would become a part of the Procurement Division. Two Deputy Directors would be established with grades set at a GS-17 in Operations and a GS-16 for Services.

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Pros:

- °Assures continuity of decentralized teams.
- °Consolidates  with PD.
- °Reduces span of control for D/L.
- °Consolidates RECD and LSD into one Division.

Cons:

- °Moves PD an additional level down from the D/L.

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Approved For Release 2003/04/02 : CIA-RDP87-01146R000100020001-0

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